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RUEHAB/AMEMBASSY ABIDJAN IMMEDIATE 0042
RUEHRL/AMEMBASSY BERLIN IMMEDIATE 0178
RUEHOT/AMEMBASSY OTTAWA IMMEDIATE 0226
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RUEATRS/DEPT OF TREASURY WASHINGTON DC IMMEDIATE

C O N F I D E N T I A L TUNIS 000203

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DEPT FOR NEA/FO - HUDSON; NEA/MAG; NEA/SCA/EX
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TREASURY FOR IA/MDB - MORRIS

E.O. 12958: DECL: 04/02/2019
TAGS: ASCH QFDP ODIP PREL PGOV TS
SUBJECT: AMERICAN SCHOOL IN TUNIS: UPDATE AND REQUEST FOR
DEMARCHE

REF: A. TUNIS 191
1B. TUNIS 182 AND PREVIOUS

Classified By: Ambassador Robert F. Godec for reasons 1.5 (b) and (d)

11. (C) Summary and action request: The Ambassador continues to press senior GOT officials to change course on the American Cooperative School of Tunis (ACST), but still awaits an appointment with Minister of State Ben Dchia. AfDB President Kaberuka confirmed he will seek an appointment with President Ben Ali to raise concerns about GOT actions and the possible closure of the school. The Ambassador met again with the British, German, Canadian and European Union Ambassadors. They will lobby the GOT, but asked that Washington send a request to their capitals (see para 5) to encourage their senior officials to press the GOT. The school proceeds with contingency planning to finish the academic year and preserve its records. PNC Bank appears ready to decrease its freeze of funds so as to permit the school to complete the academic year. We have new evidence suggesting the current situation is an effort to put ACST out of business by well connected Tunisians who back the new International School of Carthage. End Summary and action request.

Diplomatic Front

12. (C) African Development Bank: AfDB President Kaberuka has said he will seek a meeting with President Ben Ali on the school. Kaberuka is in London for the G-20 meeting, but will be back April 3. We anticipate he will request the meeting soon, but it is unclear how quickly it might be granted.

13. (C) Ambassador's discussions with GOT officials: The Ambassador spoke April 1 with Minister of Education Hatem Ben Salem and External Communications Director Oussama Romdhani about ACST. The Ambassador went over the situation in detail with both, following the points set out in our non-paper. The Ambassador underscored that there will be serious consequences in our relations and provided a copy of the non-paper to Romdhani. Both said they would immediately follow up, but as of COB April 2 have not contacted us. The Ambassador also spoke the same day with former ACST board member and GOT Senator Roger Bismuth, who may also be able to assist.

14. (C) Ben Dchia meeting: We requested the meeting for the Ambassador with Minister of State Ben Dchia on April 1. No response so far, but we believe Romdhani will make Ben Dchia

aware of the issue.

15. (C) Chief of Mission meetings: The Ambassador met April 2 with the British, German, Canadian and EU ambassadors. They expressed their great concern about the situation and offered to do everything they can to help by reaching out to GOT officials and influential members of Tunisian society. For their part, the primary message would be the impact on their respective communities, their missions and the international business community. They said they would welcome an effort to organize a joint demarche on the Ministry of Foreign Affairs, and we will seek to do so. They added that a message from Washington to their capitals requesting intervention from senior officials to appropriate GOT interlocutors would be useful. We are scheduling further meetings with the French and Italian Ambassadors.

School Front

16. (SBU) The US bank situation: After a 90-minute conference call April 1 between representatives of PNC Bank, OPIC, the school's insurance company, the school's attorney and key school personnel, it now appears that PNC will revise their initial \$2 million hold to a lesser amount (likely under \$1 million) under a forbearance agreement still to be worked out. All parties seemed to be willing to make an appropriate arrangement to allow the school to weather the storm at least long enough to remain solvent for the rest of the academic year. Such an agreement would not, however, leave anywhere near enough funds to pay the tax imposed by the GOT.

17. (SBU) School Board meeting: The evening of March 31, the school board held an abbreviated general session during which the teacher representative and others mentioned that rumors are rampant about the situation. Participants seemed to accept the argument, however, that one key to resolving the tax dispute was to allow room for the GOT to change direction without losing face, therefore the issues and actions should remain confidential for now.

18. (SBU) In the executive session, which included the director, embassy representative, the school principals and the business and finance managers, board members were certainly alarmed by the situation but supported steps that had been taken so far. Board members focused on the need for detailed contingency planning, both short term (finish the year) and long-term (safeguard records and assets); the need to be informed much as possible; the need to inform parents in advance of any potential drastic action by the GOT; and concerns about any personal liability of board members. The director, principals, business and finance managers and school security and IT managers will be the core planning group which will make and carry out contingency planning with the support of the embassy representative and the board as needed.

19. (SBU) ACST legal strategy: ACST officials met today with the school's attorneys and financial advisors to discuss the legal options available to the school. Discussions focused on the two, separate legal actions available to the school. First, ACST and its legal team decided not to post a 20 percent bond required to defer the non-penalty tax amount before the 60 day deadline. There is little point as the Ministry of Finance has determined that almost half of what ACST owes cannot be deferred and that amount alone is sufficient to bankrupt the school. Second, ACST continues to prepare to appeal the tax decree to the courts but will do so only at the last minute in order to allow time for the political process to play out. Filing at the last minute will have no affect on the case itself.

10. (SBU) Contingency planning: ACST continues to develop contingency plans for completing the school year under adverse circumstances and for closing the school. On advice of the attorneys and legal advisors, the school will seek to resolve as many debts as possible, including prepaying salaries through the summer, in order to pay down all

accounts in Tunisia to the minimum level in case the Tunisian authorities decide to seize their accounts. The school will also be approaching the Embassy for potential assistance in transferring funds to pay bills and salaries if needed. The school has already approached the Embassy about plans for safekeeping of essential and confidential paper and electronic records if necessary.

¶11. (SBU) Note on land lease issue: The school's business manager informed the board that the terms of the lease agreement negotiated in the 1990s specifically noted that government's assessor had determined the actual value of the land leased to be far above the amount to be paid by the school, but "in light of the educational role of the institution" the amount would not be raised. This is in stark contrast to the communication received this week stating that the lease must be amended to the current commercial rate.

Why?

¶12. (C) We have new information supporting the theory that the International School of Carthage (ISC) is behind the action against ACST. Beatrice Cameron of the Office of Overseas Schools reported to us that Waleed Abu Shaker, an Egyptian-American businessman and private school investor/manager, came to Tunisia in 2008 and met with "highly placed Tunisians". Abu Shaker was told of plans "to bring the full weight of the GOT to bear on the ACST in order to get all of the AfDB kids and perhaps others away from ACST and into ISC." Abu Shaker declined to get involved, but this offers new evidence to support the theory that the ISC is looking for students.

¶13. (C) In the past, the GOT has provided substantial financial support to the ISC and has forced at least one competitor, a private French school, to shut its doors. Piecing together the evidence, we believe one possible scenario the ISC's backers may envision is the following: A) ACST goes bankrupt as the result of the GOT's tax bill, B) the GOT seizes the assets of the ACST and gives them to the ISC and C) the ISC opens a "new" satellite English-language school on the old ACST campus. This is, we emphasize, only a hypothetical scenario, but it fits with the information and evidence we have.

¶14. (C) Finally, we have forwarded to NEA, by e-mail, a list of possible US Government responses to the GOT's action.
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